

## Press Release

A. S. Carriers Private Limited

September 22, 2020

### Rating Assigned



|                                     |  |
|-------------------------------------|--|
| <b>Total Bank Facilities Rated*</b> | Rs. 45.00 Cr.                              |
| <b>Long Term Rating</b>             | ACUITE BBB-/ Outlook: Stable<br>(Assigned) |

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 45.00 crore bank facilities of A. S. Carriers Private Limited (ASCPL). The outlook is '**Stable**'.

Incorporated in 1993, A. S. Carriers Private Limited (ASCPL) is a Chennai based company promoted by Mr. Amar Rahman and his wife, Mrs. Shahana Rahman. The company is engaged in the business of construction and leasing activities. ASCPL has developed about 7.87 lakhs sq. ft. of which 5.17 lakh sq. ft is leased out as of August 2020.

### Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of ASCPL to arrive at the rating.

### Key Rating Drivers:

#### Strengths

- **Established track record and experienced management**

ASCPL's promoters have over two decades of experience in developing and leasing properties. The extensive experience of the promoters along with its established track record of operations, is reflected through the long-term lease agreements with its reputed tenants. Over the years, the ASCPL has developed around 7.87 lakh square feet leasable area, across 3 locations which were 66% leased out as on August 31, 2020. Acuité believes that ASCPL will continue to benefit from its established track record of operations, experienced management and long-standing relationships with the tenants ensures stable and timely rental income during the lease period.

- **Steady revenue stream under lease arrangement from reputed client profile**

ASCPL has entered into long term lease agreements with reputed clientele like Hyundai Motor India Ltd, Madura Coats Private Limited, Fleetguard Filters Private Limited among others with the total leasable area of ~5.17 lakh square feet leasable area. These agreements have a tenure ranging from 2 to 10 years with price escalation of 5 per cent every to 15 per cent, every 3 years.

Acuité believes that the company is likely to benefit on account of healthy visibility of steady cash flows aligned with term loan tenure ensuring the adequacy of cash flow.

#### Weaknesses

- **Risks related to the timely renewal of lease contracts and susceptibility to lower occupancy due to economic downturns**

The revenues of the company are derived by way of rent from reputed corporates. The company ensures that credit quality is satisfactory. However, the counterparty risk is high in case of occurrence of any events such as changes in policy decisions by top management willing to continue their warehouse space. In the event of non-renewal by existing lessee, the future cash flows will be impacted thereby translating to weakening of debt protection indicators. Timely renewal/leasing at similar or better terms than the existing agreements will remain a key rating sensitivity factor. However, this risk is partially mitigated by the long-term relationship with reputed tenant base will support the business profile and the

same established in the past.

### Liquidity position: Adequate

ASCPL's liquidity is strong liquidity marked by healthy net cash accruals to its maturing debt obligations. Term debt obligations are structured to be paid out of rental income through an escrow account, where rent is being directly deposited as per an agreement with the bank, which recovers equated monthly instalments. The cash flow cover is expected to be comfortable during the tenure of the loan and its debt service coverage ratio (DSCR) expected to remain comfortable at an average of 2.46 times over the tenure of the LRD loan, owing to the expectation of steady lease rentals and well-structured debt repayment obligation. Acuite believes that the liquidity of the company will remain adequate with steady cash inflows from the reputed customers to cover the debt servicing obligations.

### Rating sensitivities

- Higher-than-expected cash flow improving debt protection metrics on a sustained basis
- Significant delays in payment of lease rentals by the counterparty
- Early payment of its loan obligation while maintaining its cash accruals

### Material Covenants

None

### Outlook: Stable

Acuite believes that the outlook on ASCPL will remain 'Stable' over the medium term on account of experienced management, steady cash flows from lease rentals strong counterparties and the presence of escrow mechanisms for the LRD loan. The outlook may be revised to 'Positive' in case of a sharp increase in the DSCR because of better-than-expected lease rentals. The outlook may be revised to 'Negative' if a significant dip in the lease rentals or re-negotiations leading to lower cash flows impacting the debt protection metrics or unexpected termination of existing leases or substantial debt-funded capital expenditure or higher than expected impact on rentals and occupancies on account of COVID-19 or any significant investments to other group entities.

### About the Rated Entity - Key Financials

|                               | Unit    | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income              | Rs. Cr. | 11.49              | 9.65          |
| PAT                           | Rs. Cr. | 4.29               | 5.10          |
| PAT Margin                    | (%)     | 37.33              | 52.85         |
| Total Debt/Tangible Net Worth | Times   | 0.63               | 0.69          |
| PBDIT/Interest                | Times   | 2.35               | 1.78          |

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Not applicable

**\*Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate    | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook               |
|------------------------|------------------|----------------|---------------|-----------------------------|-------------------------------|
| Term loan              | 10-03-2018       | Not Applicable | 28-02-2033    | 45.00                       | ACUITE BBB-/Stable (Assigned) |

**Contacts**

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|--|---|
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**About Acuité Ratings & Research:**

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